

VI. FEDERAL GOVERNMENT FINANCE

The total revenue and grants during the first quarter of 2013/14 amounted to Birr 28.7 billion, which was about 26.1 percent of the total annual budget. Of the total revenue Birr 24.4 billion (85 percent) was obtained from taxes. Non tax revenue reached Birr 4.3 billion (15 percent of the total revenue) while grants and relief stood at Birr 44.2 million.

During the review quarter, total revenue and grants showed a 22.2 percent growth over

the preceding quarter and 5.6 percent against the year earlier.

On the other hand, quarterly Federal government expenditure was Birr 29.8 billion showing a 39.2 percent annual increase.

Hence, overall fiscal balance (including grants) of the Federal government recorded an overall deficit of Birr 1.1 billion during the period under review compared to Birr 5.7 billion deficit a year ago.

Table 6.1 Summary of Quarterly Federal Government Finance (In millions of Birr)

No	Particulars	2012/13		2013/14		Percentage changes		Performance rate
		A	B	C	D	D/A	D/B	D/C
		QI	QIV	Annual Budget	QI			
1.	Revenue and Grants	27,164.7	23,479.8	110,039.6	28,683.8	5.6	22.2	26.1
1.1	Total Revenue	26,339.5	23,353.8	105,919.3	28,639.6	8.7	22.6	27.0
	Tax Revenue	22,178.5	21,749.6	100,331.6	24,354.5	9.8	12.0	24.3
	Direct tax	5,710.1	4,362.2	24,487.1	67,21.2	17.7	54.1	27.4
	Indirect tax	16,468.4	17,387.4	75,844.5	17,633.3	7.1	1.4	23.2
	Non-Tax Revenue	4,161.0	1,604.2	5,587.7	4,285.1	3.0	167.1	76.7
1.2	Grant & Relief	825.3	126.0	4,120.4	44.2	(94.7)	(65.0)	1.1
2.	Current Expenditure	4,875.1	6,236.5	30,242.9	4,877.4	0.05	(21.8)	16.1
3.	Current Surplus/Deficit		-	-	-	-	-	-
	Including Grants	22,289.6	17,243.3	79,796.8	23,806.4	6.8	38.1	29.8
	Excluding Grants	21,464.4	17,117.3	75,676.4	23,762.3	10.7	38.8	31.4
4.	Capital Expenditure	8,878.4	15,872.7	75,201.8	11,383.2	28.2	(28.3)	15.1
5.	Regional Transfers	7,700.8	15,926.9	57,465.3	13,594.4	76.5	(14.6)	23.7
6.	Total Expenditure (2+4+5)	21,454.3	38,036.1	162,910.0	29,854.9	39.2	(21.5)	18.3
7.	Overall Surplus/Deficit			-	0.0			
	Including Grants	5,710.4	(14,556.3)	(52,870.3)	(1,171.1)	(120.5)	(92.0)	2.2
	Excluding Grants	4,885.2	(14,682.3)	(56,990.7)	(1,215.3)	(124.9)	(91.7)	2.1
8.	Total Financing	(5,710.4)	14,556.3	52,870.3	1,171.1	(120.5)	(92.0)	2.2
8.1	Net External Borrowings	2,122.7	8,225.9	14,670.5	1,155.8	(45.5)	(85.9)	7.9
	External Borrowing	2,289.3	5,848.5	10,939.9	1,305.3	(43.0)	(77.7)	11.9
	Amortization	166.5	414.0	1,711.5	149.5	(10.2)	(63.9)	8.7
8.2	Net Domestic Borrowings	(13,411.4)	21,856.9	16,023.0	(5,693.6)	(57.5)	(126.0)	(35.5)
	Banking System	(13,639.8)	20,348.0	-	(8,168.7)	(40.1)	(140.1)	
	Non-Bank Sources	228.4	1,508.9	-	2,475.1	983.7	64.0	
8.3	Privatization receipts	-	1,200.0	-	0.0			
8.4	Others and Residuals	5,578.2	(16,726.5)	22,176.8	5,708.9	2.3	(134.1)	25.7

Source: Ministry of Finance and Economic Development

6.1 Revenue and Grants

Total revenue and grants mobilized during the first quarter of 2013/14, reached Birr 28.68 billion of which Birr 28.63 billion (or 99.8 percent) was from domestic sources and the rest (Birr 44 million) from grants and relief . About 85 percent of the domestic

revenue was from taxes and 15 percent from non-taxes. The amount of grants and relief in the quarter was 65 percent and 94.7 percent lower than that of the preceding quarter and a year ago, respectively.

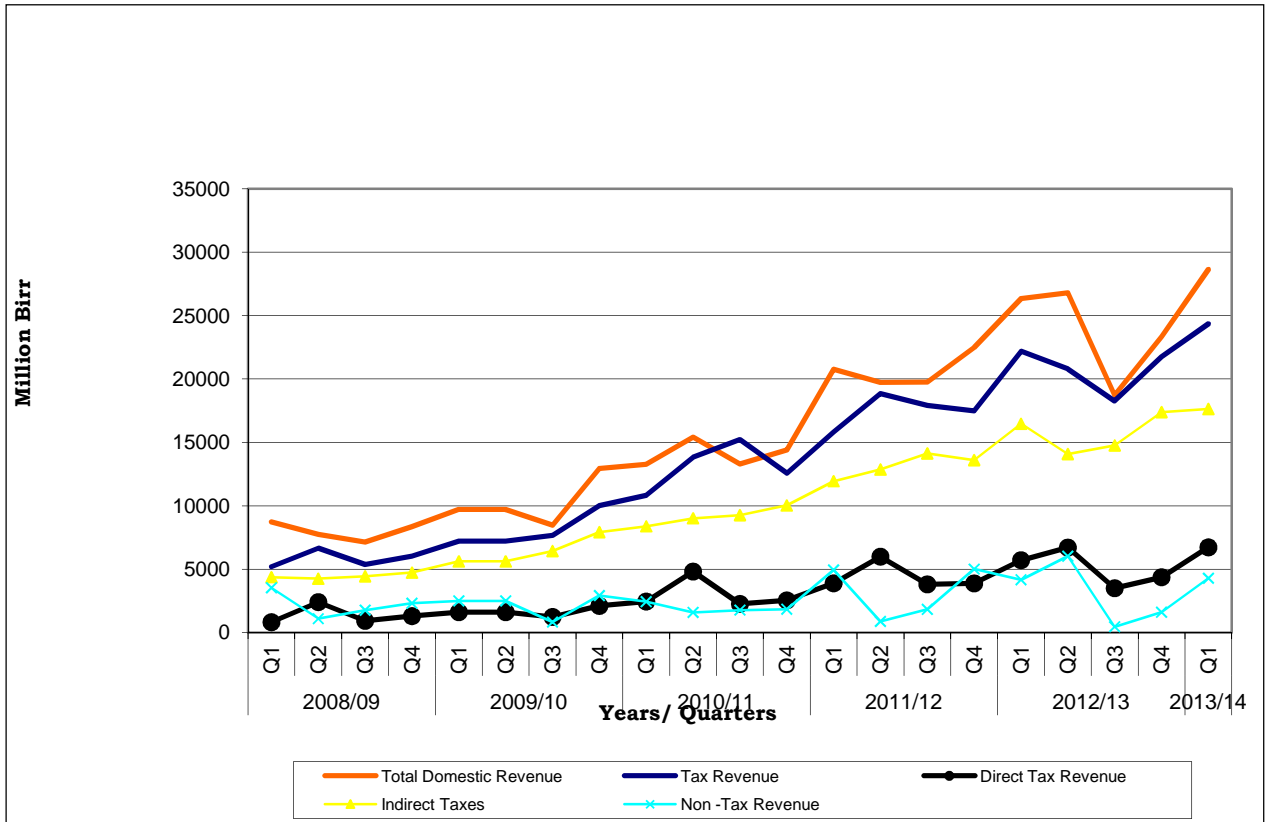
Table 6.2 Summary of Federal Government Revenue by Component (In millions of Birr)

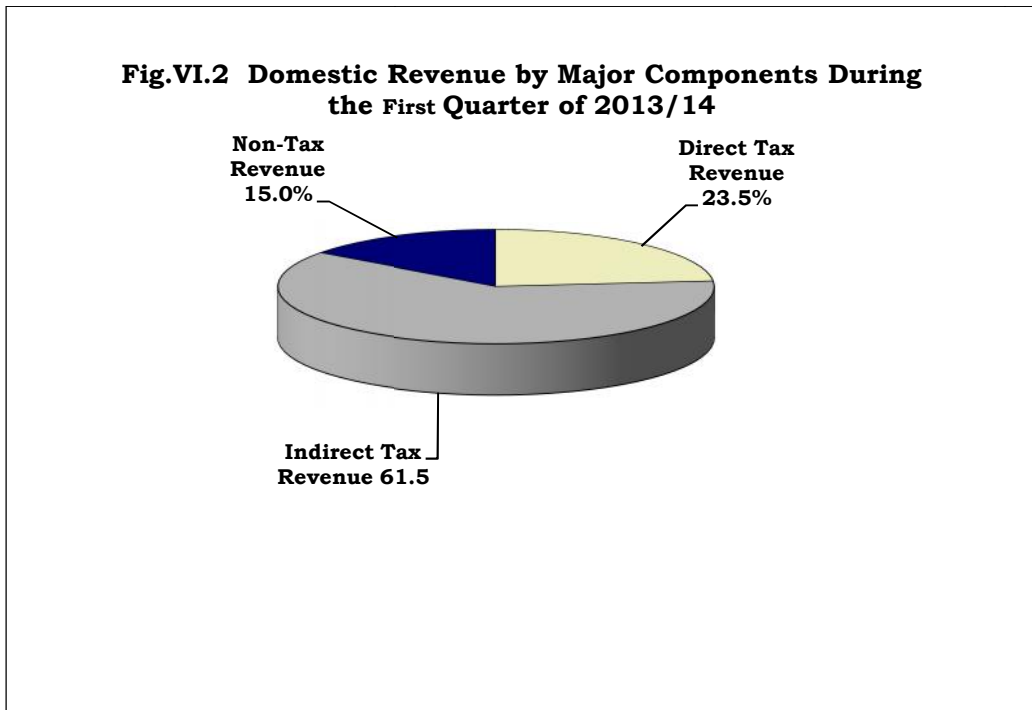
No	Particulars	2012/13		2013/14		Percentage Change		Performance Rate
		QI	QIV	Annual Budget	QI	[D/A]	[D/B]	[D/C]
		A	B	C	D			
	Total Revenue and Grants	27,164.7	23,479.8	110,039.6	28,683.8	5.6	22.2	26.1
	Total Domestic Revenue	26,339.5	23,353.9	105,919.3	28,639.6	8.7	22.6	27.0
1	Tax Revenue	22,178.5	21,749.6	100,331.6	24,354.5	9.8	12.0	24.3
1.1	Direct Tax Revenue	5,710.1	4,362.2	24,487.1	6,721.2	17.7	54.1	27.4
1.1.1	Income Taxes	5,143.6	3,412.5	21,393.3	5,926.0	15.2	73.7	27.7
	- Personal	583.4	775.8	3,178.0	852.5	46.1	9.9	26.8
	- Business	4,560.2	2,636.7	18,215.3	5073.5	11.3	92.4	27.9
1.1.2	Others ¹	566.5	949.8	3,093.8	795.2	40.4	(16.3)	25.7
1.2	Indirect Taxes	16,468.4	17,387.4	75,844.5	17,633.3	7.1	1.4	23.2
1.2.1	Domestic Taxes	6,343.8	7,155.4	28,165.1	5943.3	(6.3)	(16.9)	21.1
1.2.2	Foreign Trade Taxes (only import)	10,124.6	10,231.9	47,628.4	11690.1	15.5	14.3	24.5
2	Non-Tax Revenue	4,161.0	1,604.2	5,587.7	4285.1	3.0	167.1	76.7
3	Privatization		1,200.0	-	-	-	-	-
4	Grants and Relief	825.3	126.0	4,120.4	44.2	(94.7)	(65.0)	1.1

Source: Ministry of Finance and Economic Development

1/ includes Withholding tax on import, tax on dividend, royalty and interest income

Fig. VI.1 Quarterly Developments in Major Components of Domestic Revenue of the Federal Government





Birr 28.6 billion domestic revenue collected in the review period was 22.6 percent and 8.7 percent higher than the revenue mobilized in the preceding quarter and a year earlier, respectively.

Tax revenue at Birr 24.3 billion grew by 12 percent over the previous quarter and 9.8 percent against the same period of last fiscal year. As usual, tax revenue mainly originated from indirect taxes, accounting

for Birr 17.6 billion (61.6 percent) of the total domestic revenue of the quarter. Revenue from indirect taxes increased by 1.4 and 7.1 percent compared with previous quarter and the same quarter of last fiscal year. On the other hand, direct tax revenue, which mostly comprises personal and business income tax, increased to Birr 6.7 billion, exhibiting a 54.1 quarterly and 17.7 percent annual increase.

6.2 Expenditure

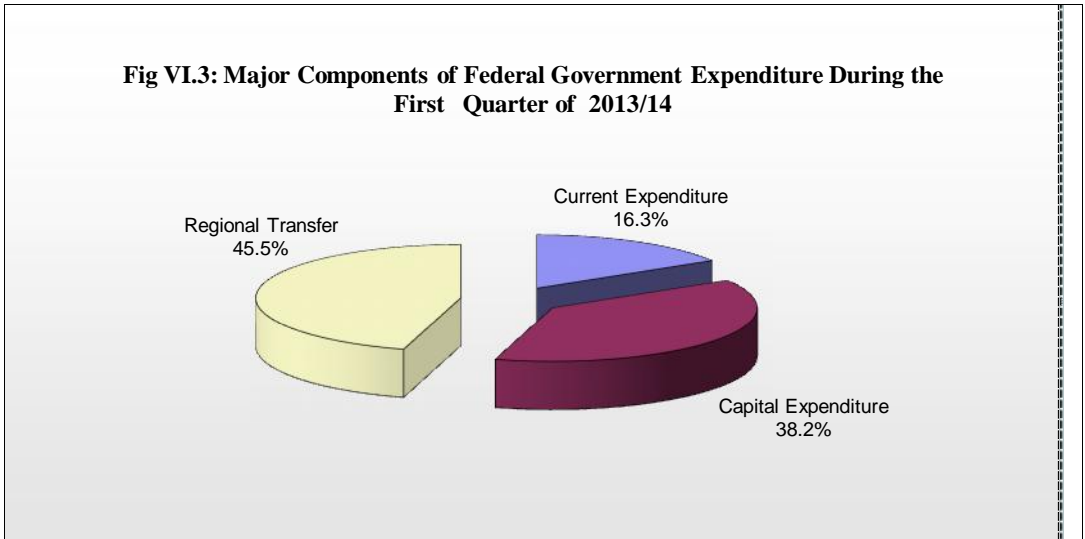
During the first quarter of 2013/14, total Federal government expenditures including regional transfers stood at Birr 29.8 billion. This figure was 21.5 percent lower than the previous quarter but 39.2 percent higher than the corresponding quarter of last year. Quarter on quarter basis, the expenditure performance was subordinated due to lower capital and recurrent expenditures and regional transfers. Out of the total expenditure, Birr 4.8 billion was allotted to

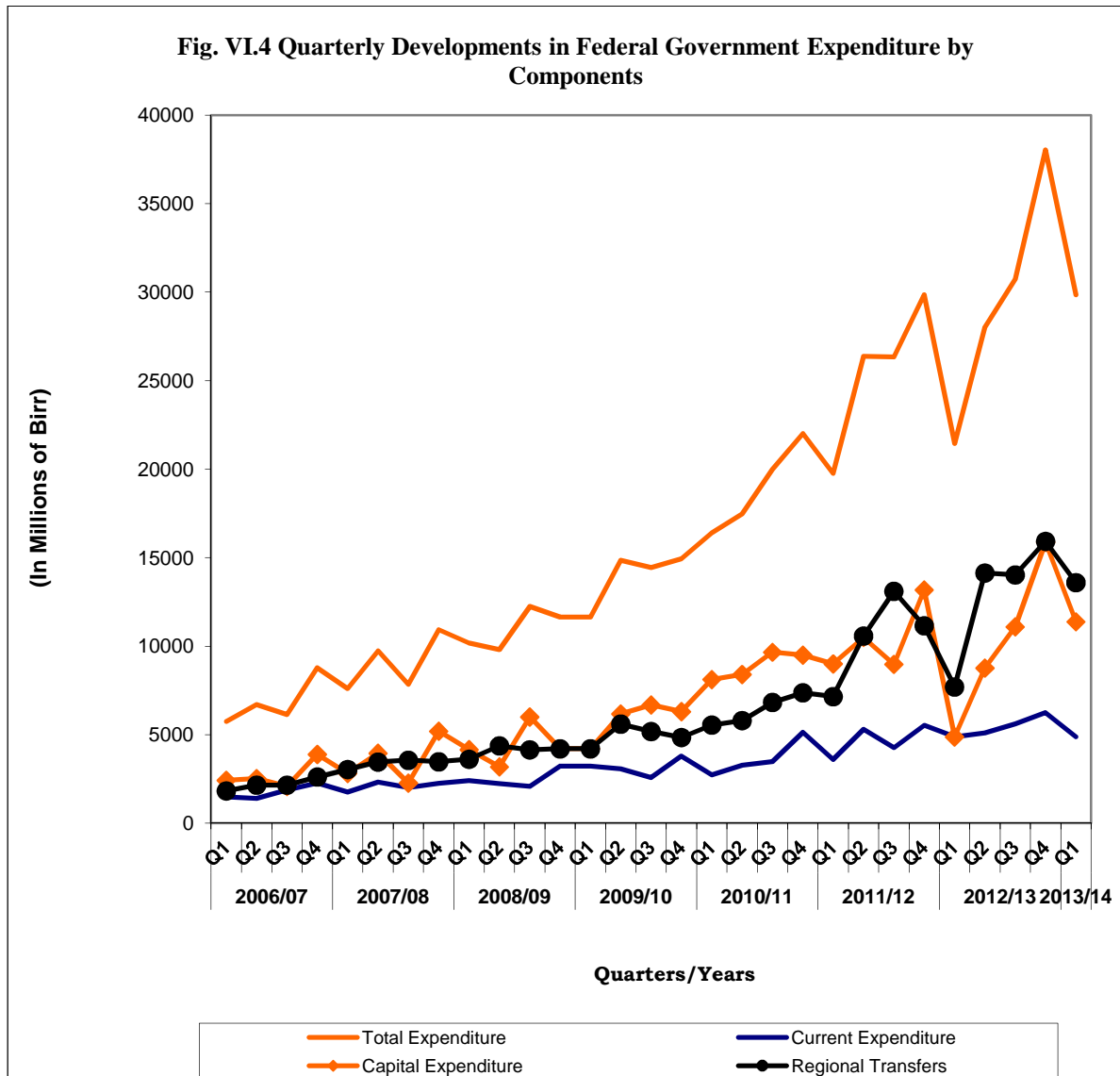
finance current account (16.3 percent) Birr 11.4 billion (38.1 percent) various development programs and the balance (45.5 percent) went as regional transfers. Year-on-year basis, recurrent expenditure remained unchanged while capital expenditure went up by 28.2 percent as a result of higher social and general development expenditures. Regional transfers also showed a 76.5 percent surge.

Tale 6.3 Summary of Federal Government Expenditure by components (In Millions of Birr)

No	Particulars	2012/13		2013/14		Percentage change		Performance rate
		QI	QIV	Budget	QI	[D/A]	[D/B]	[D/C]
		[A]	[B]	[C]	[D]			
	Total Expenditure	21,454.3	38,036.1	162,910.0	29,854.9	39.2	(21.5)	18.3
1	Current Expenditure	4,875.1	6,236.4	30,242.9	4,877.4	0.05	(21.8)	16.1
	- General Services	2,631.5	3,020.9	12,156.9	2681.1	1.9	(11.2)	22.1
	- Economic Services	206.2	388.1	2,130.6	226.3	9.7	(41.7)	10.6
	- Social Services	1,221.5	1,985.4	9,251.2	1144.7	(6.3)	(42.3)	12.4
	- Debt Service	815.9	842.0	6,704.2	825.2	1.1	(2.0)	12.3
2	Capital Expenditure	8,878.4	15,872.8	75,201.8	11,383.2	28.2	(28.3)	15.1
	- Economic Development	7,475.1	11,798.5	54,694.0	8472.8	13.3	(28.2)	15.5
	- Social Development	1,235.5	3,761.4	18,913.3	2532.4	105.0	(32.7)	13.4
	- General Development	167.8	312.8	1,594.5	377.9	125.2	20.8	23.7
3	Regional Transfers	7,700.8	15,926.9	57,465.3	13594.4	76.5	(14.6)	23.7

Source: Ministry of Finance and Economic Development





6.3 Deficit Financing

During the review period, Federal government budgetary operations resulted in the overall deficit (including grant) of Birr 1.1 billion, which was lower than Birr 14.5 and 5.7 billion

compared with the preceding quarter and a year ago, respectively. The budget deficit was financed by net external borrowing and others & residuals.

